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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-NINTH SESSION

Held at the Palais des Nations, Geneva
from 28 September to 14 October 1992

Rapporteur: Mr. Banmali Prasad Lacoul (Nepal)

Addendum

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Chapter II

INTERNATIONAL IMPLICATIONS OF MACRO-ECONOMIC POLICIES AND ISSUES CONCERNING INTERDEPENDENCE: THE RECENT EVOLUTION OF DEVELOPMENT PROBLEMS AND PROSPECTS

(Agenda item 3)

1. For its consideration of this item the Board had before it the following document prepared by the UNCTAD secretariat:

Trade and Development Report, 1992 (UNCTAD/TDR/12)

2. Introducing the item, the representative of the UNCTAD secretariat summarized the findings of the Trade and Development Report, 1992 (hereafter referred to as the TDR) in areas of relevance to this item, namely patterns of economic performance, the undercurrent of debt inflation and international capital markets and debt. In addition, he pointed to the danger that, in response to the recent currency turmoil, many countries might tighten fiscal policy and thereby accentuate global recessionary pressures. He also invited the representatives of the Group of 10 to take advantage of the study of the impact of capital movements which had formed part of the 1990 issue of the TDR.

3. The representative of Egypt expressed regret that the structural reform and adjustment efforts of developing countries aimed at achieving sustainable growth and higher standards of living were being undermined by the worsening world economic situation. He deplored the trend whereby developing countries with their limited financial resources were carrying unilaterally the burden of adjustment, especially when this was viewed against the main thrust of the Cartagena Commitment for the establishment of a new partnership for development. Full use should be made of the current advantageous situation to build a democratically based multipolar system.

4. He expected a more ambitious role for the United Nations system and UNCTAD in particular. On two of the new issues which UNCTAD was mandated to deal with, he stated that environmental and developmental concerns must be fully synchronized and that part of the resources released by the reduction of military expenditures in industrial countries should be used to increase official development assistance to developing countries.

5. Concerning the international implications of macro-economic policies, he said that it was incumbent upon major developed countries to undertake fiscal adjustment to stimulate world economic activity and to strengthen prospects for sustained growth. Multilateral surveillance should be reinforced to

attain more efficient policy coordination. He noted that wide-ranging and unilateral measures to liberalize trade and to promote exports by developing countries were neither reciprocated nor encouraged by developed countries and indeed in many developing countries export capacity was diminishing. It was necessary to speed up the successful conclusion of the Uruguay Round and to emphasize trade creation rather than diversion in regional trading arrangements. While supporting the integration in the world economy of the newly independent States of the former USSR and the Eastern European countries, he cautioned against diverting resources from developing countries which would seriously jeopardize their already difficult economic situation.

6. The representative of Ecuador said that economic policy in his country was aimed at giving more space to market forces, liberalizing the rules of foreign direct investment, and opening the domestic economy to international competition. Ecuador was among those developing countries which had taken the lead in opening their markets, in the hope that reciprocal action would be taken by industrialized countries, all the more so because the developing countries were faced with low productive investment, a lack of non-debt-creating financial inflows and, in addition, realistic and innovative solutions to the external debt problem remained to be found. Thus the abandonment of protectionism was crucial in order to establish more liberal and fairer access to the markets of the developed countries.

7. Against this background, the prolongation of the crisis in the world economy due to the phenomenon of debt deflation was particularly worrying, all the more so as none of the major economies could currently be expected to act as a "locomotive". In the context of such a diffcult and extraordinary situation it was indispensable to apply new methods, utilizing the capacities of the South and taking into account the increased interdependence among countries. Thus the time had come for a new approach to solve the problems of the world economy, putting into effect the Cartagena Commitment for a New Partnership for Development. The developing countries had made good their contribution to the new partnership; the developed countries needed to follow suit by making efforts to give impulse to the economic and social development of the South. In this context the work on the "peace dividend" to which all countries had offered their contribution was also important.

8. The major developed countries now had to reorient their economic policies towards achieving higher growth, and each country had to take its share of responsibility in reviving economic activity. In the absence of a more favourable international environment with sound growth, the adjustment efforts of the developing countries were useless, because expansion of global demand was crucial for their own growth, export diversification and productivity gains. The internationalization of the world economy required a true sense of cooperation and solidarity and a permanent and constructive dialogue to make the world economy more efficient and equitable.

9. The representative of Algeria said that the TDR offered important conclusions that were balanced and free of dogmatism. Economic reforms in Algeria were aimed at sustained and durable growth. The objectives and priorities each country set as regards the implementation of structural reforms were the sole responsibility of each country itself. In Algeria, concertation with all economic and social actors was an essential factor for the implementation of the economic programme. This concertation was made possible in Algeria by the democratic system, which the people saw as their guarantee of freedom, human rights and social justice.

10. The concept of interdependence resulted from a network of relations between countries which were, however, not always of equal benefit for all countries. For example, commodity exporters had suffered severely from the collapse of commodity prices and from a lack of access to financial markets. Moreover, there was no support programme for the reforms undertaken in the Maghreb countries, and the Treaty of Maastricht excluded completely countries on the southern side of the Mediterranean.

11. The spokesman for the Asian Group (Philippines), referring to the 1992 World Economic Outlook of the IMF and to UNCTAD's Trade and Development Report, 1992, observed that these two reports had common analytical benchmarks and dealt with the same macro-economic problems, notably the economic slump in the developed countries. If the external environment created by these countries did not improve, growth would continue to elude developing countries. Another problem was the lop-sided feature of multilateral economic cooperation in which continuing liberalization in the South was not matched by openness in the North. In addition, the debt crisis was not over and external finance continued to be tight.

12. The strong influence of the external economic environment on the economic conditions and external creditworthiness of developing countries should be given full consideration in the economic policies undertaken by developed countries to deal with their own problems. The expanding demand for foreign capital of developing countries should also be taken into account. Large-scale reductions in military spending of industrial countries could help meet this demand. The revival of growth of the world economy was a common responsibility. The developed countries had a central role in this process which should spur them to pursue policies aimed at restoring consumer and business confidence as well as reducing structural rigidities and other impediments to growth in order to promote sustained non-inflationary world economic growth. Growing fiscal and current deficits in the industrial countries deserved increased multilateral surveillance.

13. The continuing pursuit of comprehensive structural reforms by developing countries to enhance growth potential should be complemented by substantial resource flows with a large concessional component. Moreover, creditors should provide more meaningful solutions - far beyond current terms - to the debt-service difficulties facing debtor countries. The support of a favourable external environment and a genuinely multilateral trading system along the lines of the Uruguay Round was also necessary.

14. In conclusion, the Asian Group considered that demands of developing countries should not be perceived as charity on the part of advanced countries but rather as a demonstration of genuine interdependence, mutuality of interests, shared responsibility and mutual benefits. Sustained economic prosperity in the North was not possible in the absence of stability and sustained development in the South; development goals could not be attained by developing countries without conducive global environment emanating from policies adopted by developed countries.

15. The representative of China said that developing countries were exerting great efforts by undertaking structural adjustments and reforms in order to solve some of their economic difficulties and to achieve growth. While preliminary success had been achieved in some countries, long-term success required a stable and conducive external environment. In this regard developed countries had a major role to play and should strengthen macro-economic policy coordination to stimulate demand and promote global economic growth, giving full consideration to the needs of developing

countries. The contribution of developing countries to world economic prosperity could not be overestimated, and therefore the adoption of financial and fiscal policies to encourage and increase the flow of financial resources favourable to the development of developing countries was necessary. While the debt situation of developing countries had improved, their debt problem was far from being resolved, and further efforts were needed to alleviate their debt burdens.

16. He noted that current practices such as enhanced protectionism, the wilful violation of international agreements and attachment of political conditions to international assistance and cooperation were not in accordance with the spirit of the Cartagena Commitment for establishing a new partnership for development.

17. By implementing the policy of reform and opening-up, China had achieved rapid economic development, thus enhancing its strength and improving the standard of living of the people. The economy had been greatly invigorated by economic, trade and technical exchange and cooperation with other countries and regions. China's market would be further opened and foreign investment policy further relaxed, with its scope extended from production to the service sector. Such measures demonstrated that China was determined to participate in international economic development and that its policy of reform and opening-up was consistent and lasting.

18. The representative of Canada said that UNCTAD had been given a second chance to promote economic development in the developing countries, while helping developed countries to build their trade and investment relations with them. The effects of the recent reform efforts would only become apparent over the next two years or so, as the new Standing Committees and Ad Hoc Working Groups worked through their mandates. Canada intended to assume its part of the collective responsibility to make the new structures and work methods a success.

19. This year's Trade and Development Report correctly identified trade with developed countries as a crucial element in the campaign to promote economic development. The North American Free Trade Agreement (NAFTA) was an important step for Canada, Mexico and the United States. For Canada, it marked a new approach in economic relations with Mexico and, potentially, other developing countries ready and able to accept the disciplines of the Agreement. Highest

priority had to be given however to a successful conclusion of the Uruguay Round, which would help boost the hesitant and uneven economic recovery which was slowly getting under way.

20. Canada noted with satisfaction that the secretariat's survey acknowledged the quality of domestic economic policy as an important factor in explaining differences in performance. This line of analysis provided a sound basis for the work of many of the new Standing Committees and Ad Hoc Working Groups. The two chapters of the report discussing policy reforms in developing countries were examples of precisely the type of work that Canada had been calling upon UNCTAD to do.

21. The phenomenon of the worldwide economic slowdown could not be seen as extremely unusual nor as continuing indefinitely into the future. The suggestion that Governments in the developed countries should adopt policies of raising government spending in order to increase total demand was unwise, as this would rekindle inflation and kill any chance of reducing interest rates; the expectation that these newly enlarged deficits would be self-correcting was an illusion. Moreover, quantitative trade restrictions on imports were not a useful means for dealing with balance-of-payments problems. One of the reasons for establishing IMF had been to make it possible for countries to avoid using trade barriers in order to solve balance-of-payments problems.

22. The reform of State enterprises was an important issue for both developed and developing countries. State enterprises that had no public policy mandate or objective should be privatized. In other cases, one had to examine whether such a mandate could be accomplished more effectively by a privatized entity under appropriate regulation or by maintaining a State enterprise. In any case, much could be done to improve public enterprise performance, as shown by recent reforms in Canada.

23. The representative of Australia said that it was notable that the 1992 TDR had highlighted the detrimental effect of the recessionary climate experienced over the past few years on the economic growth and development prospects of developing countries. Matching the responsibility of developing countries to put in place domestic economic frameworks was the complementary responsibility on the part of developed countries to ensure a conducive external environment, not least through facilitating market access for the products of developing countries. The developing countries that had

been able to achieve significant rates of economic growth in recent years were those which had been least affected by the denial of equitable market access. Developed countries had become more protectionist at a time when developing countries had implemented far-reaching trade liberalization.

24. The countries of the Asia Pacific region had put in place the Asia Pacific Economic Cooperation Process (APEC) for the purpose of promoting practical cooperation to underpin the region's continuing economic dynamism. For such initiatives to be successful, the United States and the European Community had to show the necessary political will to conclude the Uruguay Round successfully. This would provide a major boost to the world economy and particularly to the economies of developing countries.

25. Australia appreciated the thought-provoking contribution of the TDR to the global economic debate. However, the report's support for government intervention could provide comfort for those in favour of protectionism. Given the ever-increasing interdependence between countries, it was necessary to achieve greater international coherence of policies, particularly among developed countries. Greater commitment to international policy coordination would strengthen the multilateral system, and contribute to enhanced effectiveness of development policies, structural adjustment programmes and greater stability in commodity prices.

26. Countries should establish domestic regulatory institutions and policies conducive to business confidence and increased capital flows, and UNCTAD should provide an analytical input to this process. There was also a specific role for UNCTAD in contributing analysis on some of the issues relevant for achieving sustainable development. In their future work, the Standing Committees and Ad Hoc Working Groups should draw upon the experiences of developing countries which had, in recent years, achieved quantitative and qualitative increases in economic growth, and should also study those countries which, like Australia, had declared their commitment to being transparent, equitable trading regimes.

27. The representative of the United Kingdom, speaking on behalf of the European Community and its member States, endorsed the view that the severity of current problems reflected the presence of debt deflation in some major industrialized economies, and that macro-economic analysis and forecasting had given insufficient attention to this problem. At a time of considerable economic difficulties, not least within the European Community, the appeal for

Governments to increase expenditure and lower interest rates to stimulate economic activity raised difficult issues concerning budget deficits and monetary and exchange-rate stability. Lowering interest rates and increasing public expenditure could often have conflicting policy effects.

28. The European Community understood the call for expansionary measures on the part of the leading industrialized countries and recognized that they had an important role to play in promoting world economic growth. But developing countries had to recognize the importance of domestic policies as a foundation for economic success. He welcomed the reaffirmation by developing countries, particularly at the Non-Aligned Summit in Jakarta, of their primary responsibility for their own development and of the importance of South-South cooperation and self-reliance. At the same time, for many developing countries, particularly the least developed, official development assistance would continue to be very important and the Community would continue to play a leading part.

29. UNCTAD could also contribute to the evolution of development through the encouragement of more liberal approaches to foreign direct investment. The Community countries were both contributors to and beneficiaries of FDI - a non-debt-creating means of stimulating growth, creating jobs and fostering competition. But foreign investment would be attracted only if Governments adopted policies to create a climate for enterprise, including macro-economic stability and a suitable legal framework. UNCTAD should also work to strengthen domestic financial resource mobilization by providing a forum in which successful initiatives could be made widely known, as well as through selective cooperation projects. In some developing countries, considerable progress had been made in mobilizing domestic resources for productive investments.

30. Over the past decade, the Community countries had cancelled over $9 billion old aid loans of developing countries. All new aid to the poorest countries was now given on grant terms. Dramatic improvements had been made in 1992 on the debt front. Following the London Summit in July 1991 which called for an enhanced treatment of the debt of the poorest and most indebted countries, the Paris Club had introduced, in December 1991, improved debt-relief measures, which replaced the Toronto terms and allowed for a 50 per cent reduction in debt repayments due over the length of the debtor's IMF programme. Creditors had also agreed to consider the matter of the whole

stock of a country's eligible debt after 3-4 years, so long as the country respected the Paris Club agreements and economic reform programmes. The Community countries would continue to press for improvements in the terms offered, including an increase in the debt reduction available and earlier action on the stock of debt, in line with the original Trinidad terms proposals, launched in 1990. They welcomed the call at the Munich Summit in July 1992 for the special situation faced by some highly indebted lower middle-income countries to be recognized in the Paris Club on a case-by-case basis.

31. The dynamic developing regions, in particular the East Asian and Latin American countries, had provided "countervailing forces" against the current economic trend, helping to maintain world trade growth, in particular the achievements of East Asian countries in developing intra-regional trade and FDI flows. It was now essential that the Uruguay Round reach a successful conclusion. The Community countries were working hard to achieve that result.

32. Reform of trade policies was a complex issue, but the TDR went too far in arguing that there was no connection between liberal trade regimes and economic growth, and that the early elimination of quantitative restrictions was unhelpful to the development process. As the World Bank Development Report 1991 agreed, more liberal trade policies should improve living standards. When considering the relationship between trade regimes and economic performance, it was necessary to consider the trade regime not in isolation but rather as one aspect of a coherent economic policy. A liberal trade regime was much more likely to produce positive results against a background of financial stability, low inflation, and generally efficient functioning of the price mechanism.

33. The representative of the United States of America said that, as most of the world was "developing", the fate of mankind, to an increasing extent, depended on the decent feeding, clothing, shelter, health, education and other needs of the developing world, and on the hopes and aspirations of developing countries. From whatever political perspective one looked at the problems of the developing world, one had to acknowledge that the main problems were deficits of capital, education and infrastructure, and in many cases the lack or failure of political structures. Additional capital could not come from savings in subsistence or marginal societies, nor from substantial commercial

bank loans because of past defaults. Rather, it had to come from outside investment which was dependent upon internal domestic factors, including sound economic policies.

34. UNCTAD could serve the needs of developing countries in many ways, but the reform of UNCTAD itself was crucial for its success. While UNCTAD reforms had been welcomed by some, others continued to look upon them with caution and suspicion. The reform of UNCTAD could lead the way in demonstrating how Governments could respond to the realities of interdependence. In the next phase of reform it was essential that restructuring of the secretariat complemented and supported the new work programme, that the new Standing Committees started the work as outlined in their mandates, and that the Ad Hoc Working Groups functioned fully. Reforms already achieved were not insignificant, but they were only a beginning. A leaner, stronger secretariat was needed. Expertise had to adjust to changed topics and to the needs of the new programme.

35. Taking the Committee on Poverty Alleviation as an example, he pointed to the need to focus more sharply the work of the new Committees and to set priorities for their work. He urged the Secretary-General to propose a budget for each Committee and Ad Hoc Working Group before the first session of each such body to enable Governments to plan and conduct their business more effectively. The Ad Hoc Working Groups were a magnificent opportunity to develop a wholly new kind of work programme which, if they worked well, could be replicated throughout the United Nations system.

36. The representative of the Democratic People's Republic of Korea said that the international economic situation today was not conducive to development, given the continuous decline in commodity prices, the lack of access to technology and markets of developed countries, the insufficient level of development finance and undiminished debt burdens. In general, implementation of the Cartagena Commitment was proving to be very slow.

37. Furthermore, the persistence of high interest rates and the absolute decline of export earnings from commodities contributed to the heavy debt burdens of developing countries. These and other unfavourable external economic developments had further depleted resources for development, structural adjustment and investment. Developed countries should take measures to lower long-term interest rates, and to discontinue managed trade,

conditional preference, protectionism, non-economic discrimination, coercive economic action and all forms of discrimination measures vis-à-vis developing countries, and to provide market access and preferential treatment to the developing countries' exports.

38. He considered that issues of environment and disarmament should be discussed in UNCTAD within the framework of interdependence. Developed countries should not use environment as an excuse for interference in the internal affairs of developing countries or to impose conditionality in aid, cooperation, international trade and development financing, or for placing obstacles in the way of the export and development efforts of the developing countries. They should rather provide additional resources, technical assistance and environmentally sound technologies to developing countries on non-commercial, preferential and concessional terms. The activities of UNCTAD on environment should focus on monitoring actions taken by developed countries to help developing countries foster environmentally sound technology, and on finding ways to improve them. He added that his country supported the proposal made by the spokesman for the Group of 77 to establish an ad hoc working group to explore the issue of structural adjustment for the transition to disarmament. This ad hoc working group should work with the objective of materializing the peace dividend so that it became a regular additional source of funding peaceful development projects in the developing countries on concessional terms.

39. The representative of Cuba said that the developed economies were stagnating and the countries of Central and Eastern Europe faced severe structural disequilibria and a sharp reduction in output. The developing world was suffering from the crisis in the world economy: large parts of its population were living below subsistence level, instability and social tension were increasing, and the position of the developing countries in the world economy had deteriorated. The prospects for overcoming the present crisis were very uncertain. The international financial institutions had not solved the long-standing problems of development and, through the conditionality of their financing, they were interfering with the sovereignty of developing countries' economic and financial policies.

40. The external debt situation continued to be dramatic. It was true that the poorest countries were suffering most from the debt burden, but one should not forget that in Latin America in 1990 per capita income had been the same

as in 1977 and 62 per cent of the population were poor. It was therefore urgent to take steps to eliminate the debt problem once and for all.

41. Commodity prices in real terms in 1991 had been at their lowest in 150 years. Protectionism and subsidies were causing increasing distortions in world markets, particularly for agricultural products. Radical solutions had to be found to problems such as market access, depressed commodity prices, external debt and the creation of a more favourable external environment for development.

42. He felt that the discussions on the definition of priorities for the work in UNCTAD were not taking place in the same positive spirit as had prevailed in Cartagena - a fact that might be connected with the restructuring of the United Nations, in which there was a tendency to weaken UNCTAD. Cuba supported all institutional changes that helped to make UNCTAD more efficient but not those that were aimed at changing its basic mandate and weakening its role in the United Nations system in favour of the international financial institutions, which were becoming more and more dominant in issues of vital interest to the South. The changes in the international balance of power at the outset of the 1990s had made it easier for the developed countries to suppress debate on these issues in the United Nations, so that this Organization would become an instrument of one-sided domination to the detriment of the developing countries. Contrary to claims in some quarters, a specific political, economic and social ideology was being imposed on international relations, and the developing countries stood to suffer most at both the national and international level. In addition to the Torricelli Project, which contravened international law, GATT provisions and UNCTAD decisions on coercive trade measures, his country had suffered for over 30 years from the illegal blockade imposed on it by the United States, which aimed to destroy the political, economic and social fabric of the Cuban people. Some of these measures seriously affected the trade of third parties with Cuba, and thus undermined free international trade. Despite the blockade and the agressive policies of the United States, the Cuban people would pursue the construction of a society based on full respect for human dignity.

43. The representative of Japan observed that recent years had been marked by the accelerated globalization of economic activities and the substantial growth of interdependence in the world economy which made multilateral cooperation essential. Developed countries should endeavour to attain

sustainable non-inflationary growth with a view to creating a favourable global economic environment - an essential prerequisite for the economic development of developing countries. The latter should for their part exert self-help efforts to promote market-oriented economic reform to enable them to participate fully in the dynamic evolution of a technologically-based and globalized world economy. Developed countries should support these efforts through financial and technical assistance. Japan was determined to continue to expand official development assistance. Furthermore, the successful conclusion of the Uruguay Round was of critical importance for both developed and developing countries, and to this end the cooperative efforts of all parties concerned were required.

44. In the context of measures that developed countries had to take to stimulate the world economy, the Japanese Government had recently announced new economic measures, amounting to 2.3 per cent of GNP, to ensure that the economy would overcome current difficulties and continue to grow steadily, fuelled by strong domestic demand. These measures placed great importance on invigorating the stock market and achieving stability in the financial system.

45. He found encouraging the good performance of many Asian and Latin American countries despite the stagnation in much of the industrialized world, which could be attributed to adjustment programmes carried out in these countries. The subject of policy reform in developing countries which was tackled in TDR 1992, required intensive discussion in UNCTAD and he hoped that this could be elaborated on in future TDR exercises.

46. The representative of Finland, speaking on behalf of the Nordic countries Denmark, Finland, Norway and Sweden, said that UNCTAD VIII had been an important step in the reform of the development-related activities of the United Nations system. The Conference had seized the new momentum gained through the profound changes on the world political and economic scene. The restructured and more flexible intergovernmental machinery and the revised working methods should make it possible for UNCTAD to strenghten its role and to contribute positively to the development process.

47. The Nordic countries hoped that UNCTAD, apart from addressing development issues at the national level, could provide further innovative analysis and policy advice on global issues, such as the international economic environment, the relationship between trade, finance, investment and technology, and their

effect on the environment and development. As regards the analysis of the specific issues and problems facing the least developed countries, UNCTAD had gradually established itself as a centre of excellence.

48. Strong economic interdependence had accentuated the need for cooperation among countries. While each country bore the primary responsibility for its own development, a supportive international environment was necessary if national efforts were to succeed. Firstly, the policies of the industrialized countries should be geared to enabling developing countries to participate actively in the worldwide exchange of goods, services and investment. Secondly, the resources mobilized in the developing countries should be complemented by increased resource flows from the developed countries. For most of the poorest countries, ODA remained the most important source of external finance. An open and credible multilateral trading system was essential for growth and development, and to this end the Uruguary Round should be brought to a swift and successful conclusion. He added that a good example of global interdependence was the complexity of environmental problems. UNCTAD could provide an important forum for discussion of the complex relationships between sustainable development, protection of the environment and the promotion of international trade.

49. Action was needed to alleviate economic and social inequalities which were incompatible with international peace and security in the long run. Excessive military expenditures should be curbed and the resources used for productive purposes.

50. One central dimension of interdependence was the debt problem. Despite some progress in this field, the serious unsolved debt problems could undermine the efforts of many developing countries. For the poorest countries the debt burden remained unsustainable: the most concessional terms in the Paris Club should be reserved for such countries. The non-concessional option should be excluded from the enhanced Toronto terms. In the context of the Paris Club, the Nordic countries stood ready to extend debt relief up to 80 per cent, on a case-by-case basis, to the poorest countries which were committed to structural adjustment. Interest rates had to be reduced to a level more compatible with the needs of debtor countries.

51. The representative of the International Monetary Fund (IMF) said that while the resumption of growth in the industrial countries had proved more elusive than foreseen, the growth performance of many developing countries was

impressive, often as a result of the liberalization of goods, capital and labour markets. However, some countries, and among them many of the poorest, were suffering from sluggish world demand and the decline in commodity prices. Reduction of poverty worldwide required that the world economy regain a higher rate of expansion. The reason for the relatively slow recovery was the excessive burden placed on monetary policy in many countries, but a Keynesian policy response would make matters worse.

52. Sustainable growth in developing countries required macro-economic and structural adjustment policies encompassing price deregulation, reform of public enterprises and taxation, reduction of protection, easing of foreign-exchange regulation, adoption of realistic exchange rates, and financial liberalization. While the TDR suggested that liberalization and financial deregulation should move more slowly, and that government intervention should remain substantial, the experience of countries that had implemented a steady disengagement of the Government offered proof of the contrary. There was also clear evidence that export and growth performance of countries that pursued a more market-oriented trade policy was better than that of protectionist countries.

53. Reflows of flight capital associated with restoration of better balance and confidence in the economy should not be portrayed as a policy disaster. A variety of instruments to offset undesired effects were at hand in addition to the usual direct stabilization techniques, such as fiscal tightening and appreciation of the exchange rate. Reimposition of capital and exchange controls was not the right answer.

54. Debt indicators of developing countries had improved, but further efforts were needed, particularly with respect to the problem of official debt owed by the poorest and the middle-income countries. Aid flows to the poorer countries had to be made more effective. In future, private financial flows had to play an increasingly important role. A liberalized financial system and regulation to assure a strengthened banking system were necessary to improve the efficiency of such flows. In general, strengthened policy coordination was a precondition for the regeneration of sustained growth worldwide, which in turn was essential for the success of structural adjustment efforts.

55. The representative of Romania noted from the TDR the dim prospect for vigorous economic recovery in the near future and the noticeable variations in the economic performance of individual countries and regions. For countries in Central and Eastern Europe, the recession was far from being overcome owing to tremendous internal restructuring difficulties arising from the transition to market economies and the adverse international climate. The gloomy situation called for enhanced national and international development policies and instruments as well as strengthened multilateral cooperation. In this respect UNCTAD should play a larger and more imaginative role, in particular in putting into practice the Cartagena Commitment. Broad cooperation with other members of the world economy, especially in the area of trade and finance, was the key to the economic recovery and development of countries in transition to market economies.

56. He described the profound transformations taking place in Romania and the package of radical legal and institutional reforms which proved that advancement towards the market economy system was irreversible. Although not to the extent hoped for, these changes were already bearing fruit. However, economic and social costs were high and consequently there was a reduction in the standard of living of the population. Such costs were aggravated by the unfavourable international economic environment. He regretted that the TDR had not dealt with the economic situation and the state of reform in Romania. To avoid future omissions, he would be willing to assist the UNCTAD secretariat by providing information and data in addition to those which were already placed at its disposal.

57. He considered that further efforts were necessary in order to limit and reduce costs to the minimum through better management of the national economy and the reform process. He appreciated the assistance given by UNCTAD as well as other international organizations and countries. However, additional technical and financial assistance were needed to ensure the success of the transition process.

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Held at the Palais des Nations, Geneva,
from 28 September to 14 October 1992

Rapporteur: Mr. Banmali Prasad Lacoul (Nepal)

Addendum

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Chapter IV

SUSTAINABLE DEVELOPMENT INCLUDING UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF UNCED'S CONCLUSIONS AND RECOMMENDATIONS

(Agenda item 5)

1. For its consideration of this item, the Board had before it the following report by the UNCTAD secretariat:

"Sustainable development: a consideration of sectoral links" (TD/B/39(1)/7).

2. The Deputy Secretary-General of UNCTAD made a statement introducing this item.

3. The representative of the Republic of Korea stressed that to implement successfully the agreements reached at UNCED, UNCTAD should work to ensure that: regional and multilateral agreements on the environment should not result in unjustified restrictions on international trade; that the different demands from developed and developing countries be harmonized so as to attain a genuine global partnership in dealing with environmental issues; and that a market-based system for the transfer of technology, which was essential for developing countries to pursue their sustainable development, remain a top priority in UNCTAD's follow-up actions. The transfer of technology was to be facilitated without impairing the protection of intellectual property rights, possibly through the purchase of privately-owned technology by international organizations, which would subsequently be made available to developing countries on non-commercial terms. Environmental protection had now become an important national objective for his country; this had led to the adoption of a National Charter for the Environment. Finally, he quoted some salient paragraphs from the speech of the President of the Republic of Korea to the General Assembly at its forty-seventh session.

4. The spokesman for the Asian Group (Indonesia) said that environmental protection and sustainable development were matters of common concern to mankind requiring close cooperation and effective action by the international community. In addressing the issue of sustainable development, UNCTAD VIII had stressed in the Cartagena Commitment that all countries had a common but differentiated responsibility towards environmental problems, which could not be viewed in isolation, but should be addressed in the context of development by integrating environmental concerns with the imperative of economic growth

and development. The Cartagena Commitment further stressed that international cooperation was therefore indispensable not only for the adoption of a concerted global strategy on the environment, but also to assist developing countries in implementing plans aimed at achieving sustainable development while at the same time fostering efforts to substantially alleviate poverty.

5. The United Nations Conference on Environment and Development had indeed established the imperative need for addressing the twin issues of environment and development in their totality. He welcomed the consensus achieved at UNCED to address global environmental problems within the framework of a strengthened global partnership for development, and stressed that UNCTAD should play an important role in the implementation of Agenda 21, taking into account the importance of the relationship between development and environment, in accordance with its mandate in the area of sustainable development.

6. In translating this concept into action programmes which fell within the purview of UNCTAD, the Asian Group emphasized the sovereign right of States and peoples to development, as one of the basic principles enshrined in the Rio Declaration; any international cooperation in the field of environmental protection should be based on the principle of the sovereign rights of States over their natural resources. There was a need to strengthen the complementary links between favourable international economic conditions, national economic growth and the sound management of the environment. Environmental considerations should not serve as an excuse for interfering in the internal affairs of any country, nor should they be used to impose conditions upon development assistance or to introduce trade barriers against exports from developing countries.

7. He considered that environmental problems associated with the developed countries were a consequence of unsustainable patterns of production and consumption and wasteful lifestyles, whereas those of developing countries were in general the result of extreme poverty and underdevelopment. Efforts to promote sustainable development should therefore be focused on forms of multilateral cooperation which mutually reinforced the protection of the environment, economic growth and development.

8. In the light of these considerations his Group supported the idea of addressing sustainable development in a sessional committee of the Board, with the possibility of eventually transmitting this issue to an ad hoc working group or standing committee, depending upon the dynamism and progress achieved in the sessional committee.

9. The representative of Japan pointed to the widely recognized importance of achieving environmental protection and sustainable development; environment and development were not only compatible, but mutually reinforcing in the long run. Recalling the serious environmental problems which his country had experienced in the past, he said that vigorously strengthened environmental regulations since the early 1970s had transformed Japan into an energy-efficient society with an improved environment.

10. Japan was determined to play a leading role in the international efforts on sustainable development and the results of technological breakthroughs in this field would be shared with the rest of the world. Japan would support the efforts of other countries, especially developing countries, in the area of financial support, technology transfer and human resources development. In particular, Japan's ODA was steadily expanding, with its net disbursement during the five-year period 1988-1992 exceeding US$50 billion; in the area of environment, the expansion of its bilateral and multilateral ODA would amount to around 900 billion to 1 trillion yen (approximately US$8 billion) during the coming five years.

11. During the follow-up of UNCED at the forty-seventh session of the General Assembly, the context of the revitalization and restructuring of the United Nations system should be kept in mind, and duplication among the many relevant institutions should be avoided. UNCTAD had a key role to play in the implementation of Agenda 21, together with UNEP and UNDP. In order to address the complex interrelationship of widespread poverty, population pressures and environmentally damaging use of natural resources and to make the best use of UNCTAD's expertise and limited resources, it was necessary to focus on several specific areas such as environment and commodities, the transfer of environmentally-sound technology, and environment in the context of the prevention, alleviation and reduction of poverty, where UNCTAD had broad and in-depth expertise.

12. Finally, he expressed the view that a sessional committee of the Board should focus on the broad policy direction when dealing with sustainable development, while technical work should be dealt with by a standing committee.

13. The representative of Sweden, speaking on behalf of the Nordic countries Denmark, Finland, Norway and Sweden, hailed the successful conclusion of UNCED as a new starting point for the future development of the whole planet, whereby development and protection of the environment would go hand-in-hand. At UNCTAD VIII sustainable development had been further integrated into the agenda and work of UNCTAD, and in adopting the terms of reference of the new Standing Committees and Working Groups the Board had emphasized the concept of sustainability. Sustainable development embraced a wide range of interconnected and mutually-supportive elements such as good governance, respect for human rights, population policies, poverty alleviation and the active participation of various social groups.

14. All countries must allocate the resources needed to implement the policy measures necessary to achieve sustainable development, but external funding must also be available to support the developing countries' own efforts. The Nordic countries had already stated their commitment to provide their fair share of the resources necessary and had repeatedly called upon the other developed countries to reach the agreed United Nations target of 0.7 per cent of GDP for ODA within a fixed time limit. The high economic importance and complexity of the relationship between environment and trade required broad international cooperation. Taking into account the work done by other relevant bodies, it was felt that UNCTAD could have an essential role within the United Nations in this respect and that it could be a forum for discussion where new ideas could be addressed in a non-contractual atmosphere. UNCTAD must concentrate its efforts on areas where it had comparative advantages in conformity with its mandate, and duplication of the work of other United Nations bodies should be avoided. The Nordic countries looked forward to the establishment of the Commission for Sustainable Development as envisaged in Agenda 21. Pending decisions on the Commission's specific organizational modalities by the General Assembly, the Nordic countries did not wish to pre-empt these decisions nor the priorities of the Commission on Sustainable Development and its secretariat, which would have to be taken into account in the ongoing restructuring of UNCTAD.

15. UNCTAD's future activities should rest on three main pillars, namely objective and penetrating analysis, normative activities in the form of a genuine and open dialogue, and technical assistance and policy advice. Considerable weight should be placed on the analytical function.

16. In the follow-up of UNCED, UNCTAD had a large number of future responsibilities that went beyond the key area of trade and environment. Such were the possible inclusion of environmental considerations in commodity arrangements, and future commodity-related work with particular regard to development and sustainability; promoting the generation and dissemination of environmentally-sound technologies; national policy analysis and exchange of views on national experiences with regard to poverty alleviation, in particular the relationship between development, poverty and the environment; and assistance to developing countries in their participation in, and implementation of, international environmental agreements.

17. The Nordic countries believed that, as a matter of course, the promotion of sustainable development should be an integral part of all work performed by UNCTAD, whenever relevant. Within the present budgetary limits, the secretariat could establish a special team of environmental economists and other specialists to assist all Standing Committees and Ad Hoc Working Groups, and to support also subprogrammes of the programmes on trade and development, trade expansion, export promotion and services sector development and the programme on least developed, landlocked and island developing countries.

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Thirty-ninth session, first part
Geneva, 28 September 1992
Agenda item 15

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-NINTH SESSION

Held at the Palais des Nations, Geneva
from 28 September to 14 October 1992

Rapporteur: Mr. Banmali Prasad Lacoul (Nepal)

Addendum

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Chapter XII

PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL AND ADMINISTRATIVE MATTERS

A. Opening of the session

1. In the absence of the President of the Board at its thirty-eighth session, Mr. Thomas Ogada (Kenya), the first part of the thirty-ninth session of the Trade and Development Board was opened by Mr. Jamtono Rahardjo (Indonesia), Vice-President.

B. Election of officers

(Agenda item 1 (a))

2. At its 807th (opening) meeting, on 28 September 1992, the Board elected as President of its thirty-ninth session, by acclamation, Mr. Gündüz Aktan (Turkey) who, in accordance with the provisions of Board decision 338 (XXXIII), had been designated by the Board at the second part of its thirty-eighth session. (For the statement made by the President upon his election, see Introduction, paras. 1-4).

3. At the same meeting, the Board elected the other members of its Bureau in accordance with the nominations agreed upon at its first (pre-sessional) executive session. Accordingly, the elected Bureau was as follows:

President:	Mr. Gündüz Aktan	(Turkey)
Vice-Presidents:	Mr. Morris B. Abram	(United States of America)
	Mr. Abdeljabbar Brahime	(Morocco)
	Mr. G.V. Gabounia	(Russian Federation)
	Mr. Akio Iljuin	(Japan)
	Mr. Marian Malecki	(Poland)
	Mr. Carlos H. Matute Arias	(Honduras)
	Mr. Martin Morland	(United Kingdom of Great Britain and Northern Ireland)
	Mr. Gian Nath	(Mauritius)
	Mr. Ri Tcheul	(People's Democratic Republic of Korea)
	Mr. Jorge Soruco	(Bolivia)
Rapporteur:	Mr. Banmali Prasad Lacoul	(Nepal)

C. Adoption of agenda and organization of the work of the session

(Agenda item 1 (b))

4. At its 807th meeting, the Board's attention was drawn to two additions to the provisional agenda: a sub-item entitled "Report of the Working Party on the Medium-Term Plan and the Programme Budget on its twenty-first session (31 August-8 September 1992)" had been added under item 11 (Other matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies); and, by decision of the first (pre-sessional) executive session of the Board, a new agenda item entitled "Board decision 398 (XXXVIII): Establishment of an ad hoc working group to explore the issue of structural adjustment for the transition to disarmament" had been included as item 13. Consequently, the items 13 and 14 of the provisional agenda had been renumbered 14 and 15, respectively.

5. Having noted the above amendments, the Board adopted the provisional agenda for the first part of its thirty-ninth session in TD/B/39(1)/1. The agenda as adopted was subsequently circulated in TD/B/39(1)/9. (The agenda as adopted is reproduced in annex I below).

6. At the same meeting, the Board endorsed the proposals for the organization of work of the session contained in TD/B/39(1)/Add.1.

D. Establishment of sessional bodies

7. At its 807th meeting, the Board established two sessional committees of the whole, allocating agenda items to them for consideration and report as follows:

Sessional Committee I

- Paths to development: performance, problems and reform of public enterprises (item 4)
- Trade policies, structural adjustment and economic reform: issues relating to national transparent mechanisms in the context of the fight against protectionism (item 6).

Sessional Committee II

- UNCTAD's contribution to the implementation of the United Nations New Agenda for the development of Africa in the 1990s (item 8)
- Report of the Secretary-General on assistance to the Palestine people in the light of the Cartagena decision (item 9).

8. The Board further agreed that, during the second week of the session, Sessional Committee II would convert itself into a Special Sessional Committee to consider and report on item 7 (Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s). It was understood that Sessional Committee II and the Special Sessional Committee would have the same office-bearers.

Sessional Committee I

9. At its 1st meeting, Sessional Committee I elected the following officers to serve on its Bureau:

Chairman: Mr. Hugo Cubillos (Chile)

Vice-Chairman-cum-Rapporteur: Mr. E.M. Manakine (Russian Federation)

10. In the course of the session, Sessional Committee I held ..... meetings and ..... meetings in an informal setting.

11. At its closing meeting .....

[To be completed as appropriate]

Sessional Committee II

12. At its 1st meeting, Sessional Committee II elected the following officers to serve on its Bureau and on the Bureau of the Special Sessional Committee:

Chairman: Ms. Taous Feroukhi (Algeria)

Vice-Chairman-cum-Rapporteur: Mr. Thomas Carter (United States of America)

13. In the course of the session, Sessional Committee II held ..... meetings and ..... meetings in an informal setting.

14. At its closing meeting .....

[To be completed as appropriate]

E. Membership and attendance

15. The following States members of UNCTAD, members of the Board, were represented at the session: Afghanistan; [Albania]; Algeria; [Angola]; Argentina; [Armenia]; Australia; Austria; Bahrain; Bangladesh; [Barbados]; Belarus; Belgium; [Benin]; Bhutan; Bolivia; Brazil; Bulgaria; Burkina Faso; Burundi; Cameroon; Canada; [Central African Republic]; [Chad]; Chile; China; Colombia; [Congo]; Costa Rica; Côte d'Ivoire; Cuba; Cyprus; Czechoslovakia; Democratic People's Republic of Korea; Denmark; [Dominica]; Dominican Republic; Ecuador; Egypt; El Salvador; Equatorial Guinea; Ethiopia; Russian Federation; Finland; France; [Gabon]; [Georgia]; Germany; Ghana; Greece; [Grenada]; [Guatemala]; Guinea; [Guyana]; [Haiti]; Honduras; Hungary; India;

Indonesia; Iran (Islamic Republic of); Iraq; Ireland; Israel; Italy; Jamaica; Japan; Jordan; Kenya; Kuwait; [Lebanon]; Liberia; Libyan Arab Jamahiriya; Liechtenstein; Luxembourg; Madagascar; Malaysia; [Mali]; Malta; [Mauritania]; Mauritius; Mexico; Mongolia; Morocco; Myanmar; [Namibia]; Nepal; Netherlands; [New Zealand]; [Nicaragua]; Nigeria; Norway; Oman; Pakistan; Panama; [Papua New Guinea]; Paraguay; Peru; Philippines; Poland; Portugal; Qatar; Republic of Korea; Romania; Russian Federation; [Sao Tome and Principe]; Saudi Arabia; Senegal; [Sierra Leone]; Singapore; [Somalia]; Spain; Sri Lanka; Sudan; [Suriname]; Sweden; Switzerland; Syrian Arab Republic; Thailand; Togo; Trinidad and Tobago; Tunisia; Turkey; Uganda; Ukraine; United Arab Emirates; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Uruguay; Venezuela; Viet Nam; Yemen; [Zaire]; [Zambia]; Zimbabwe.

16. The following States members of UNCTAD, not members of the Board, were represented at the session: Brunei Darussalam; Holy See; Lao People's Democratic Republic; Lesotho; Maldives; Mozambique.

17. Palestine participated pursuant to General Assembly resolution 3237 (XXIX).

18. The Economic Commission for Africa; United Nations Development Programme were represented at the session. The International Trade Centre UNCTAD-GATT was also represented at the session.

19. The following specialized agencies were represented at the session: Food and Agriculture Organization of the United Nations; World Health Organization; World Bank; International Monetary Fund; United Nations Industrial Development Organization. The General Agreement on Tariffs and Trade was also represented at the session.

20. The following intergovernmental organizations were represented at the session: African, Caribbean and Pacific Group of States: Agency for Cultural and Technical Co-operation; Arab Monetary Fund; Commonwealth Secretariat; European Economic Community; International Organization for Migration; League of Arab States; Organisation for Economic Co-operation and Development; Organization of African Unity; Organization of the Islamic Conference.

21. The following non-governmental organizations were represented at the session: General Category: Inter-Parliamentary Union; International Alliance of Women; International Bar Association; International Chamber of Commerce;

International Confederation of Free Trade Unions; World Confederation of Labour; World Federation of United Nations Associations. Special Category: International Association of Islamic Banks.

F. Adoption of the report on credentials

(Agenda item 1 (c))

[To be completed as appropriate]

G. Provisional agenda for the second part of the thirty-ninth regular session of the Board

Agenda item 1 (d))

[To be completed as appropriate]

H. Treatment of new States members of UNCTAD for purposes of elections

(Agenda item 12 (a))

22. The Board dealt with this sub-item at its first (pre-sessional) executive session on 21 September 1992. (See TD/B/EX(1)/4, paras. 63-64).

I. Membership of the Trade and Development Board

(Agenda item 12 (b))

23. At the 809th meeting, the President drew attention to the fact that the item on Membership of the Trade and Development Board had been referred to the pre-sessional executive session, when action had been taken on two applications (the Republics of Armenia and Equatorial Guinea). In the interim, a further application had been received - from the Republic of Georgia.

24. At the same meeting, the Board admitted the Republic of Georgia to membership of the Trade and Development Board, bringing the Board's membership to 135.

J. Membership of the Working Party on the Medium-Term Plan and the Programme Budget for 1993

(Agenda item 12 (c))

25. The Board dealt with this sub-item at its first executive session, on 21 September 1992. (See TD/B/EX(1)/4, para. 66).

K. Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board

(Agenda item 12 (d))

26. At its 809th meeting, on 29 September 1992, the Board took note that there were no applications for status from intergovernmental organizations before the Board at the first part of its thirty-ninth session.

L. Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board

(Agenda item 12 (e))

27. At its 809th meeting, on 29 September 1992, the Board decided to designate and classify the following six non-governmental organizations for the purposes of rule 77 of the rules of procedure, as follows:

In the General Category:

The Association of African Trading Enterprises (ASATRADE) (TD/B/30(1)/R.1/Add.5)

In the Special Category:

The Association of Export Credit Insurance Organizations (known as the Dakar Union) (TD/B/39(1)/R.1/Add.1) - to attend meetings of the Standing Committee on Developing Services Sectors.

The World Association of Industrial and Technological Research Organizations (WAITRO) (TD/B/39(1)/R.1/Add.2) - to attend meetings of the Ad Hoc Working Group on Investment and Technology Transfer.

The Baltic Exchange Limited (TD/B/39(1)/R.1/Add.3) - to attend meetings of the Standing Committee on Developing Services Sectors.

The Rural Advancement Foundation International (RAFI) (TD/B/39(1)/R.1/Add.4) - to attend meetings of the Standing Committee on Commodities.

The Latin American Association of Navigational Law and Law of the Sea (ALDENAVE) (TD/B/39(1)/R.1/Add.6) - to attend meetings of the Standing Committee on Developing Services Sectors.

28. In addition to the subsidiary bodies to which they had been designated, all of these non-governmental organizations were entitled to attend meetings of the Trade and Development Board.

29. Also under this item, the Board noted that the International Association of State Trading Organizations of Developing Countries (ASTRO), which had been granted General Category status by the Board at the second part of its thirty-third session, had changed its name to the International Association of Trading Organizations for a Developing World. The acronym "ASTRO" remained unchanged.

30. Referring to the question of the proposed reclassification of non-governmental organizations that were already in status with UNCTAD in the Special Category, the President drew attention to the note by the UNCTAD

secretariat (TD/B/39(1)/CRP.5 and Corr.1) and recalled that such non-governmental organizations had originally been classified on the basis of the special interest in one or two of the former main Committees.

31. In view of this, the Board agreed that a number of non-governmental organizations be reclassified in order to bring their classification into line with the new Standing Committees and Ad Hoc Working Groups on an interim basis, pending the results of consultations which the Secretary-General of UNCTAD would have with the organizations concerned to ascertain their wishes regarding their future association with UNCTAD.

M. Review of the calendar of meetings

(Agenda item 12 (f))

[To be completed as appropriate]

N. Administrative and financial implications of the actions of the Board

(Agenda item 12 (g))

[To be completed as appropriate]

O. Other business

(Agenda item 14)

[To be completed as appropriate]

P. Adoption of the report of the Board

(Agenda item 15)

[To be completed as appropriate]